NATIONAL RECOVERY ADMINISTRATION

DIVISION OF REVIEW

EVIDENCE STUDY

NO. 25

OF

THE MOTION PICTURE INDUSTRY

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November, 1935

PRELIMINARY DRAFT

(NOT FOR RELEASE: FOR USE IN DIVISION ONLY)

THE EVIDENCE STUDY SERIES

The EVIDENCE STUDIES were originally planned as a means of gathering evidence bearing upon various legal issues which arose under the National Industrial Recovery Act.

These studies have value quite aside from the use for which they were originally intended. Accordingly, they are now made available for confidential use within the Division of Review, and for inclusion in Code Histories.

The full list of the Evidence Studies is as follows:

1. Automobile Manufacturing Ind.
2. Boot and Shoe Mfg. Ind.
3. Bottled Soft Drink Ind.
4. Builders' Supplies Ind.
5. Chemical Mfg. Ind.
6. Cigar Mfg. Industry
7. Construction Industry
8. Cotton Garment Industry
9. Dress Mfg. Ind.
10. Electrical Contracting Ind.
11. Electrical Mfg. Ind.
12. Fab. Metal Prod. Mfg., etc.
13. Fishery Industry
14. Furniture Mfg. Ind.
15. General Contractors Ind.
16. Graphic Arts Ind.
17. Gray Iron Foundry Ind.
18. Hosiery Ind.
19. Infant's & Children's Wear Ind.
20. Iron and Steel Ind.
21. Leather
22. Lumber & Timber Prod. Ind.
23. Mason Contractors Industry
24. Men's Clothing Industry
25. Motion Picture Industry
26. Motor Bus Mfg. Industry (Dropped)
27. Needlework Ind. of Puerto Rico
28. Painting & Paperhanging & Decorating
29. Photo Engraving Industry
30. Plumbing Contracting Industry
31. Retail Food (See No. 42)
32. Retail Lumber Industry
33. Retail Solid Fuel (Dropped)
34. Retail Trade Industry
35. Rubber Mfg. Ind.
36. Rubber Tire Mfg. Ind.
37. Silk Textile Ind.
38. Structural Clay Products Ind.
39. Throwing Industry
40. Trucking Industry
41. Waste Materials Ind.
42. Wholesale & Retail Food Ind. (See No. 31)
43. Wholesale Frésh Fruit & Veg.

In addition to the studies brought to completion, certain materials have been assembled for other industries. These MATERIALS are included in the series and are also made available for confidential use within the Division of Review and for inclusion in Code Histories, as follows:

44. Wool Textile Industry
45. Automotive Parts & Equip. Ind.
46. Baking Industry
47. Canning Industry
48. Coat and Suit Ind.
49. Household Goods & Storage, etc. (Dropped)
50. Motor Vehicle Retailing Trade Ind.
51. Retail Tire & Battery Trade Ind.
52. Ship & Boat Bldg. & Repairing Ind.
53. Wholesaling or Distributing Trade

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Director, Division of Review

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MOTION PICTURE INDUSTRY

Foreword

The data presented in this report have been assembled from both government and private sources. Most of the government data used have been taken from publications of the Bureau of the Census, but data have also been taken from reports of the Bureau of Labor Statistics and the Bureau of Internal Revenue. Among the private sources, the most important are the Motion Picture Almanac, the Film Daily Yearbook, reports of the Standard Statistics Company, and the trade association, the Motion Picture Producers and Distributors of America, Inc.

The organization of this study is somewhat different from that called for in the Outline for Evidence Studies. The Industry as codified included the production, distribution, and exhibition of moving pictures, and it has been considered advisable to follow the Outline through separately for each of these divisions. The present study therefore consists of four parts: Part I, Introduction, in which certain material pertaining to the Industry as a whole is presented; and Part II, Production; Part III, Distribution; and finally, Part III, Exhibition. The particular Census publications used in describing each of the three main divisions of the Industry are as follows: Production, Census of Manufactures; Distribution, Census of Wholesale Distribution; and Exhibition, Census of American Business, "Services, Amusements, and Hotels".

The Census data are considered roughly applicable to the appropriate division of the Industry as codified. The fact that the Census coverage does not include the smaller establishments is not held significant in this Industry. As pointed out in the text, however, Census data and those from private sources often indicate large discrepancies which are presumably due to the fact that the latter are frequently estimates and to difference in the coverage of the two sets of data.

PART I: INTRODUCTION

Chapter I. The Nature of the Industry

Definitions of the Industry

The Motion Picture Industry, as defined by the Code of Fair Competition for the Industry, includes,

> ".... without limitation, the production, distribution, or exhibition of motion pictures and all activities normally related thereto, except as specifically excepted from the operation of the Code."

The limitations in the scope of the Code are as follow:

> "Nothing in this Code shall be deemed to apply to the production, distribution, or exhibition of motion pictures on film of recognized substandard widths, or to slide films, or to non-theatrical motion pictures designed primarily for educational, scientific, industrial, commercial, advertising, selling, or other non-theatrical purposes, or to television of motion pictures, provided that the commercial production, distribution, or exhibition of such films shall be subject to investigation by the Code Authority to determine whether such production, distribution, or exhibition of such films is unfair competition to an established motion picture theatre or theatres. If found to be unfair competition, the Code Authority shall promulgate rules and regulations governing such unfair competition."

The Code covered "actor employees in vaudeville and presentation motion picture theatres" in "both permanent and traveling companies of artists playing presentation and vaudeville houses," but it did not cover "amateur" shows, "rep," "tab," "tent," "wagon," "truck" and "medicine" shows, "show-boat" or "burlesque," as these terms are understood in the theatre.

The Industry as defined by the Census of Manufactures embraces,

> ".... all processes and activities connected with the production of motion pictures, such as the photography of scenes, the development of exposed films, the printing of projection films, and other studio and laboratory work necessary in connection with the preparation of projection films for use."

Since Census of Manufactures data thus cover only motion picture production, they are not applicable to the entire Industry as defined by the Code, but only to the production branch of the Industry which is described in Part II of this study. The remaining branches of the Industry, distribution, and exhibition, are covered by the Wholesale Census and the Census of Service, Amusements, and Hotels.

Description and Scope of the Industry

The Industry as codified is composed of three major divisions of activity: production, distribution, and exhibition. These three economic divisions of this Industry are closely inter-related with and dependent upon each other. The production division covers all of the processes and activities involved in

the making of motion pictures. It includes the preparation and photography of scenes; the developing of exposed films; the printing of projection films; and other studio and laboratory work required in the preparation of positive films for use. The distribution division involves the "renting" or "leasing" of films to exhibitors; the maintenance and physical distribution of the films, and the collection of due accounts. It also includes the outright sale of finished films and the sale of advertising materials. The exhibition division includes the commercial exhibiting of the finished films in the theatres; and also vaudeville and presentations given in conjunction with motion pictures.

This Industry, which has assumed a position of unusual importance because of its far-reaching influence upon social and economic standards and conduct, is characterized by rapid growth by the possibility of radical changes through technical developments in the film and related industries by the geographical concentration of production. It's further characterized by the large degree of integration of its three main divisions, and the individuality in the industrial practices which it follows.

Production, distribution, and exhibition are both horizontally and vertically integrated and the concentration of corporate ownership in the hands of a few large companies provides an economic division of the Industry between what are known as "major" and "independent" interests. The economic consequences of this concentration are reflected in nearly all problems of the Industry.

Assets

Tables I and IA show the assets of motion picture producers and exhibitors for the years 1930 through 1933. Fixed assets constitute the largest type in both the production and exhibition divisions. Total assets of producers dropped from $934,000,000 in 1930 to $249,000,000 in 1933, while in the exhibition division total assets rose during the same period from $619,000,000 to $1,076,000,000. The number of concerns reporting in the production division averaged around 175 each year, whereas in the exhibition group the number rose steadily from 1,889 in 1931 to 2,368 in 1933.

TABLE I

Assets of Motion Picture Producers, 1930-1933
(Dollars In Thousands)

	1930	1931	1932	1933
Number Reporting	182	170	177	181
Total Assets	$933,847	$849,916	$411,622	$248,824
Current	228,871	192,911	54,015	42,057
Investments	251,320	220,408	109,593	18,543
Fixed	384,421	371,766	218,629	163,640
Miscellaneous	69,235	64,831	29,385	24,584

Source: Bureau of Internal Revenue, tabulation sheets and published reports (Statistics of Income).

TABLE I A

Assets of Motion Picture Theatres, 1930-1933
(Dollars In thousands)

	1930	1931	1932	1933
Number Reporting	1,889	1,809	2,132	2,368
Total Assets	$618,792	$717,307	$986,684	$1,076,486
Current	102,404	119,728	205,919	265,927
Investments	53,340	68,143	173,753	244,684
Fixed	389,494	470,433	523,241	490,536
Miscellaneous	73,554	59,003	83,771	75,339

Source: Bureau of Internal Revenue, tabulation sheets and published reports (Statistics of Income).

Capital Investment

According to the Motion Picture Almanac the capital investment of the Industry stood at $2,000,000,000 in each of the years from 1929 to 1935, with the exception of 1934 when the figure was placed at $1,750,000,000. The investment in studios is roughly $100,000,000; the investment in the distribution branch of the Industry is something between $10,000,000 and $20,000,000; while that for the exhibition branch of the Industry lies between $1,630,000,000 and $1,880,000,000. In other words, the investments in production or distribution are insignificant in comparison with the investment in exhibition. In a study made recently by a group of architects, Messrs. Lamb, Rapp, Alschlager, Eberson and Schultz, it was estimated that $1,460,000,000 has been spent to date in the building of theatres exclusive of those parts of theatre buildings given over to office space. 1/

Interstate Character of the Industry

In the making of films, numerous writers, actors, actresses, directors, cameramen, and other artists and artisans, are assembled from many different states and foreign countries. Great quantities of unexposed films and large quantities of scenery, costumes, paraphernalia, and properties are transported from many different states to the studios located in those few where motion pictures are produced.

The distributors enter into contracts for leases with exhibitors for the exhibition of films throughout the United States through the media of correspondence, branch offices, and salesmen. Thus film contracts which are entered into between residents of different states, involve the leasing of a commodity manufactured in one state and transported to and used in another state.

1/ Verbal statement by Mr. David Palfreyman of the Theatre Service Division of the Motion Picture Producers and Distributors of America (June, 1935).

After the films are produced, they are packed into metal containers, and are transported by parcel post, express trucks and other common carriers, from the studios and laboratories to exchanges, then to the theatres in cities and towns of the country. After display to the public, the films are returned to the exchanges for redistribution to other theatres, or are forwarded to other exhibitors. Thus, there is a constant current of trade and commerce in films through the states.

PART II: PRODUCTION

Chapter I. The Nature of the Division

Total Number of Establishments

Table II indicates the number of establishments engaged in the production of motion pictures. It will be noted that in the first Census taken after the depression years of 1921 and 1933, the number of establishments showed a marked decrease in each instance.

TABLE II

Total Number of Establishments, for Census Years, 1921-1933

Year	Number	Per Cent Change from Preceding Year
1921	127	---
1923	97	-23.6
1925	132	+36.1
1927	142	+ 7.6
1929	142	no change
1931	140	- 1.4
1933	92	-34.3

Source: Census of Manufactures, 1929 and 1933, "Motion Pictures, not Including Projection in Theatres."

Number of Establishments by Principal States

An examination of Table III shows that more than 80 per cent of all motion picture establishments are located in six states. In 1929 California, the leading state, accounted for 41 per cent of all establishments and New York accounted for 21 per cent. By 1931 California had gained relatively and New York had lost, while in 1933 the reverse was true. The concentration in the six states was more marked in 1931 and also in 1933 than in 1929.

TABLE III

Number of Establishments, by Six Principal States

State	1929		1931		1933	
	Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total
U. S. Total	142	100.0	140	100.0	92	100.0
California	58	40.9	71	50.7	39	42.4
Illinois	8	5.6	7	5.0	8	8.7
New Jersey	6	4.2	5	3.6	3	3.3
New York	30	21.1	26	18.5	24	26.0
Ohio	8	5.6	6	4.3	3	3.3
Pennsylvania	5	3.6	6	4.3	1	1.1
Total, 6 States	115	81.0	121	86.4	78	84.8
Total, Other States	27	19.0	19	13.6	14	15.2

Source: Census of Manufactures, 1929, 1931, and 1933, "Motion Pictures, not Including Projection in Theatres."

Number of Members and Size of Concerns

The members of the production division of the Industry fall into two groups. There are eight large companies which produce approximately 80 per cent of the total value of production as valued on a cost-of-production basis and approximately 65 per cent by number of features produced. 1/ Five of the major companies supply nearly 100 per cent of the newsreels produced.

The remaining pictures are produced by approximately 30 independent companies having sufficient importance to have the names of their production staffs listed in the Motion Picture Almanac. Most of these minor producing firms contribute their portion of the product under a "unit" system which fits into and becomes a part of the production schedules of the major producers. In addition to the above, there are many other small producers who make one or two motion pictures intermittently over a period of years.

Gross and Net Income

Table IV shows the gross income and the net profit or loss of motion picture producers from 1927 through 1932. In 1930 gross income increased almost 70 million dollars over the 1929 level of $343,445,000 and the producers reported a profit of more than $40,000,000 annually in each of these years. Although in 1931 gross income was almost 100 million dollars greater than in 1929, there was a net loss of $8,674,000. In 1932 gross income fell to less than one-half the 1931 level and the producers suffered a net loss of over $30,000,000.

1/ Motion Picture Producers and Distributors of America.

The decrease in the profitability of the Industry has been attributed to a number of factors, including over-expansion in the direction of seating capacity, erection of theatres at an excessive cost per seat, mismanagement within the Industry, payment of inordinately large compensation for services, and the effect of the depression upon the demand for entertainment.

TABLE IV

Gross Income and Net Profit or Loss, 1927-1932
(In thousands)

Year	Gross Income	Net Profit or Loss
1927	$239,426	$8,032
1928	230,266	17,109
1929	343,445	44,400
1930	410,700	40,282
1931	441,948	-8,674
1932	190,795	-30,199

Source: Bureau of Internal Revenue, Statistics of Income.

Net Income by Major Companies

Table V shows the consolidated net income of six major companies for 1932, 1933, and 1934. Attention is directed to the recovery made by the three companies, namely, Fox, Warner, and Paramount, which had the largest net bases in 1932. The totals show that the group loss of $36,519,000 in 1932 had by 1934 been turned into a net income of $14,371,000.

TABLE V

Consolidated Net Income or Loss for Six Major Motion Picture Companies, 1932-1934
(In thousands)

Company	1932	1933	1934
Group Total	-$36,519	$4,568	$14,371
Columbia Pictures Corporation	574	740	1,009
Fox Film Corporation	- 16,151	1,411	3,000 a/
Loew's Incorporated	7,961	4,034	7,480
Warner Brothers Pictures, Inc.	- 14,095	-6,292	-2,530
Universal Pictures	- 1,250	-1,017	- 500 a/
Paramount-Public Corporation	- 13,558	5,692 a/	5,912 a/

Source: Standard Statistics Company, Standard Trade and Securities, "Theatres and Motion Pictures," Vol. 75, No. 22 (February 20, 1935).

a/ Estimated.

Total Cost of Production

The production of motion picture films is not a manufacturing activity in the sense in which the term is generally used to designate the factory production of commodities. Furthermore, since the Motion Picture Industry does not usually sell, but leases or rents its product, it is impossible to determine the actual value of the output of a given year until a long time after its close. It is therefore necessary to substitute "cost of production" for "value of product" in presenting data for this Industry.

An examination of Table VI indicates that the cost of production increased each year from 1921, until it reached a peak of $184,102,000 in 1929 when the introduction of equipment for sound production caused a large increase in cost of production. In 1931, the Industry's decreased production costs can probably be attributed in part to better adjustment to the innovation of sound, but the impact of the depression was probably beginning to be felt.

TABLE VI

Total Cost of Production, for Census Years, 1921-1933
(In thousands)

Year	Cost of Production	Per Cent Change from Preceding Year
1921	$77,397	---
1923	86,418	+ 11.7
1925	93,636	+ 8.4
1927	134,343	+ 43.5
1929	184,102	+ 37.0
1931	154,436	- 16.1
1933	119,343	- 22.7

Source: Census of Manufactures, 1929 and 1933, "Motion Pictures, not Including Projection in Theatres."

Volume of Production

Total Domestic and Foreign Releases. - Table VII shows the total number of features released in the United States for the years 1927 to 1934. Data are presented to show how many of the total releases were foreign features and how many were made by American producers. During the years 1932, 1933, and 1934, the proportion of foreign pictures releases was greater than in most of the prior years. In 1934 the number of foreign features shown in this country amounted to 27.5 per cent of the total.

TABLE VII

Number of Domestic and Foreign Motion Picture Features Released In the United States, 1927-1934

Year	Total		Domestic Features		Foreign Features	
	Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total
1927	743	100.0	668	89.9	75	10.1
1929	820	100.0	627	76.5	193	23.5
1929	850	100.0	705	82.9	145	17.1
1930	600	100.0	514	85.7	86	14.3
1931	627	100.0	505	80.5	122	19.5
1932	685	100.0	489	71.4	196	28.6
1933	644	100.0	507	78.7	137	21.3
1934	662	100.0	480	72.5	182	27.5

Source: Film Daily Yearbook of Motion Pictures, 1935.

Production of "Features." - Table VIII shows the number of features produced from 1927 through 1934. Attention is directed to the high number of releases by major companies in 1927 and the gradual decline through 1932, with the subsequent moderate rise. During these years the major companies averaged almost 70 per cent of the total number of feature pictures released.

TABLE VIII

Features Released by Major and Independent Domestic Companies a/

Year	Total		Kind of Company			
			Major		Independent	
	Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total
1927	668	100.0	510	76.3	158	23.7
1928	627	100.0	462	73.7	165	26.3
1929	705	100.0	393	55.7	312	44.3
1930	514	100.0	362	70.4	152	29.6
1931	505	100.0	324	64.1	181	35.9
1932	489	100.0	318	65.0	171	35.0
1933	507	100.0	338	66.7	169	33.3
1934	480	100.0	361	75.2	119	24.8

Source: Film Daily Yearbook of Motion Pictures, 1935.

a/ During 1927-1931, ten companies listed; during 1932-1934, eight companies listed.

Production of "Shorts." - Table IX shows the estimated number of "Short Subjects," of one or two-reel length, produced for the years 1930-1931 through 1934-1935. The table does not include newsreels produced annually by each of the five major companies, or approximately 20 reels.

TABLE IX

Total Number of Shorts Produced, 1930-1931 to 1934-1935

Season	Number
1930-1931	1,286
1931-1932	1,372
1932-1933	1,297
1933-1934	1,062 a/
1934-1935	956 a/

Source: Compiled from data in the Motion Picture Almanac.

a/ Estimated on basis of announced plans of companies.

"Box-Office Rating" of Producers

The relative quality and importance of the production of the eight major producers may be ascertained from an examination of Table X, which shows the estimated "box-office strength" of feature pictures produced by the major producers in comparison with the feature pictures produced by the independent producers.

Each feature release is assigned a weight, according to indicated box-office potency, and a weighted average for the entire year is then computed. A perfect score of 1,000 would result only if every film of a producer were given a "Hit" rating.

It will be seen from the table that United Artists and Loew's (MGM) received the highest box-office ratings in both 1933 and 1934. In 1934 they received 762 and 552 respectively. In the same year, independent companies received an average rating of 164.

TABLE X

Estimate of Box Office Strength of Feature Pictures, for Each of Eight Major Companies and All Independents, 1933 and 1934

Company	1933	1934
United Artists	583	762
Loew's (MGM)	582	552
Warner Brothers	486	429
R.K.O.	395	433
Paramount	380	508
Fox Film	368	446
Universal	362	366
Columbia	260	302
Average	424	453
Independents	175	164

Source: Standard Statistics Company, Standard Trade and Securities, "Theatre and Motion Pictures," Vol. 75, No. 22 (February 20, 1935) p. TH-48.

PART II: PRODUCTION

Chapter II. Labor Statistics

Total Number of Employees

Table XI shows the average annual number of employees, in the production division as reported by the Census of Manufactures. The Motion Picture Almanac has estimated the total employment as 30,000 in 1933, compared with the Census figure of 19,037 for the same year.

TABLE XI

Average Annual Number of Salaried Employees and of Wage Earners

	1929	1931	1933
Salaried Employees	8,818	---	8,260
Wage Earners	10,784	---	10,777
Total	19,602	14,839 a/	19,037

Source: Census of Manufactures, 1933, "Motion Pictures, Not Including Projection in Theatres."

a/ Figures for 1931 are incomplete and not comparable with figures for other years.

Number of "Extras"

There are no accurate data as to the total number of "extras" employed in the Industry. Mr. Allen Garcia, representing extras, stated at the hearing on the proposed Code that the total number of this type of employee registered and available has been variously estimated as between 8,000 and 14,000 annually. 1/

In addition, complete data are not available as to the total number of placements of extras, but Table XII shows the number of such placements made by the Central Casting Corporation, the leading employment agency for obtaining jobs for this type of employee. The number reported by this agency is considered to represent a great majority of the total number of placements.

1/ Transcript of NRA Hearing, Motion Picture Industry, September 12, 1933.

TABLE XII

Number of Placements and Wages
of "Extras" Registered with the
Central Casting Corporation
1926-1934

Year	Placements		Wages	
	Total Number	Average Daily Number a/	Total Annual (000's)	Average Wage per Placement
1926	259,259	710	$2,195	$8.46
1927	330,397	905	2,838	8.59
1928	276,155	758	2,470	8.94
1929	262,958	840	2,401	9.13
1930	252,446	807	2,460	9.74
1931 b/	177,523	621	1,658	9.34
1932 c/	176,785	677	1,545	8.74
1933	251,914	805	2,049	8.14
1934	219,857	705	1,985	9.03

Source: Motion Picture Almanac, "Annual Report of the Central Casting Corporation."

a/ Total number of placements divided by total number of days, exclusive of Sundays.

b/ Data for 1931 are for the first eleven months of the year.

c/ Data for 1932 are for the first ten months of the year.

Seasonal Variation in Employment

Data on seasonal variation of employment in the production division of the Industry, which are presented for the years 1929 and 1933 in Table XIII, show relatively low employment in the first four months of each year. Production for the summer selling season begins around May, and producers usually attempt to start work on special features at that time in order to further their sales efforts. In 1929 and 1933 employment was higher in the last six months of the year, with maximum employment occurring in September.

Table XIII also shows that during the last four months of 1933, employment was generally about 15 per cent higher than in 1929. This increase may be partially attributed to a decrease in hours and subsequent increase in the number of wage earners under the "President's Re-employment Agreement."

TABLE XIII
Number of Wage Earners, by Months, 1929 and 1933

Month	1929		1933	
	Number	Index (Annual average=100)	Number	Index (Annual average=100)
January	9,929	92	9,592	89
February	9,694	90	9,567	89
March	9,113	84	8,592	80
April	9,560	89	8,547	79
May	10,722	99	7,880	73
June	10,805	100	9,212	85
July	11,422	106	10,491	97
August	11,616	108	11,821	110
September	11,938	111	13,734	127
October	11,506	107	13,627	126
November	11,690	108	13,310	124
December	11,407	106	12,947	120
Average	10,784	100	10,777	100

Source: Census of Manufactures, 1929 and 1933, "Motion Pictures, not Including Projection in Theatres."

Total Annual Wages

Table XIV shows the total salaries and wages paid in 1929 and 1933 as reported by the Census of Manufactures. Comparison of the years 1929 and 1933 indicates that the reported total compensation decreased from $85,028,000 to $71,343,000, or 16 per cent, salaries decreased approximately 12 per cent, and wages dropped about 26 per cent. The decline in total salaries was accompanied by a somewhat smaller decrease in the number of salaried employees, but since the 26 per cent decline in total wages was accompanied by practically no change in the number of wage earners, there must have occurred marked cuts in wage rates and/or a considerable substitution of part-time for full-time workers. (See Table XI, above.)

It may also be seen from Table XIV that salaried employees enjoyed a larger proportion of the total compensation in 1933 than in 1929. Salaries represented approximately 71 per cent of the total compensation in 1929 and about 74 per cent in 1933, while wages as a percentage of total compensation decreased from about 29 per cent to approximately 26 per cent.

TABLE XIV

Total Annual Salaries and Wages, 1929 and 1933

Kind of Compensation	1929 Amount (000's)	1929 Per Cent of Total	1933 Amount (000's)	1933 Per Cent of Total	Per Cent Change 1929-1933
Total	$85,028	100.0	$71,343	100.0	- 16.1
Salaries	60,168	70.8	52,948	74.2	- 12.0
Wages	24,860	29.2	18,395	25.8	- 26.0

Source: Census of Manufactures, 1933, "Motion Pictures, not Including Projection in Theatres."

Annual Wages by Principal States

Table XV shows the annual wages paid in 1929 and 1933 in the three principal producing states. California accounted for 79 per cent of the total in 1929 and 84 per cent in 1933. New York declined in importance from 1929 to 1933, for it accounted for 15 per cent of the total in 1929 but only 11.5 per cent in 1933.

TABLE XV

Annual Wages, by Three Principal States, 1929 and 1933

State	1929 Wages (000's)	1929 Per Cent of Total	1933 Wages (000's)	1933 Per Cent of Total
U. S. Total	$24,860	100.0	$18,395	100.0
California	19,584	78.8	15,460	84.0
New York	3,649	14.7	2,111	11.5
Illinois	216	.9	185	1.0
Total, 3 States	23,449	94.4	17,756	96.5
Total, Other States	1,411	5.6	639	3.5

Source: Census of Manufactures, 1929 and 1933, "Motion Pictures, Not Including Projection in Theatres."

Salaries and Wages as a Per Cent of Cost of Production

Table XVI shows the per cent of total cost of production spent for wages in 1929 and 1933. The 1929 wage cost of $24,860,000 dropped to $18,395,000 in 1933, but as a per cent of total cost of production, it

increased from 13.5 per cent in 1929 to 15.4 per cent in 1933, or a gain of 14 per cent. While the annual salaries paid in 1929 decreased from $60,168,000 to $52,948,000, the per cent of total cost of production which these figures represent rose from 32.7 per cent in 1929 to 44.4 per cent in 1933 or a gain of 36 per cent.

TABLE XVI

Total Cost of Production, Annual Salaries and Annual Wages
1929 and 1933

Year	Total Cost of Production (000's)	Total Salaries and Wages		Salaries		Wages	
		Amount	Per Cent of Total Cost	Amount (000's)	Per Cent of Total Cost	Amount (000's)	Per Cent of Total Cost
1929	$184,102	$85,028	46.2	$60,168	32.7	$24,860	13.5
1933	119,343	71,343	59.8	52,948	44.4	18,395	15.4

Source: Census of Manufactures, 1933, "Motion Pictures, Not Including Projection in Theatres".

Wages of Extras

Table XII above indicates the average wage per extras placed by the Central Casting Corporation. These figures were derived by dividing the total annual wages by the total number of placements. It must be understood that the average wage per placement as shown does not represent the average wage of all registered extras, but merely of those placed by this particular agency.

Table XVII indicates the reduction between 1930 and 1933 in the number of extras, as placed by the Central Casting Corporation who received high daily wage rates. In the former year three-fourths of the placements reported in the table received $10.00 per day while in 1933 only one-third were placed at this rate. The number receiving daily wages of $5.00 increased from 24 per cent to 40 per cent while the number in the $3.00 wage class increased from .1 of one per cent in 1930 to 27 per cent in 1933.

TABLE XVII

Distribution of Placements of Extras by the Central Casting Corporation at Specified Daily Wage Rates, 1930 and 1933 a/

Daily Wage Rate	1930 Number	1930 Per Cent of Total	1933 Number b/	1933 Per Cent of Total
Total	143,209	100.0	126,934	100.0
$3.00	206	.1	34,386	27.0
5.00	34,075	23.8	51,102	40.3
10.00	109,128	76.1	41,446	32.7

Source: Transcript of NRA Hearing, Motion Picture Industry, September 12, 1933

a/ The number of placements does not represent the total number of extras placed, but covers only those placements made at the wage rates shown.

b/ Estimated by prorating the placements for the first half of 1933.

Average Hourly Wage Rate

There are no accurate average figures available which represent the composite hourly wage rate for all classes of wage earners in the production division of the Industry. The minimum hourly wage rate specified in the Code for all classes of employees was 40 cents. The range in minimum rates for various classes of studio mechanics and laboratory workers was from 60 cents to $2.25 per hour. Reports of the Research and Planning Division of NRA and from the Division Administrator's Office have indicated that the Code rates represented an estimated increase of approximately 15 per cent over the 1929 rates. It is believed that the increases applied mainly in the lower wage brackets, where labor is largely unorganized.

Average Hours Worked per Week

Table XVIII gives the prevailing hours of labor per week in the production division of the Industry for the year 1929. More than 60 per cent of the total number of establishments worked their employees between 45 and 48 hours per week. The total number of wage earners in this group amounted to 86 per cent of the total number of wage earners. Only .1 of one per cent of the wage earners worked 48 hours or more per week.

TABLE XVIII

Number of Establishments and Number of Wage Earners, Classified by Number of Full-Time Hours Worked per Week, 1929

Number of Hours per Week	Establishments		Wage Earners	
	Number	Per Cent of Total	Number	Per Cent of Total
Total	135	100.0	10,742	100.0
40 hours or less	5	3.7	100	.9
40 - 45 hours	41	30.4	1,357	12.6
45 - 48 hours	82	60.7	9,278	86.4
48 hours or more	7	5.2	7	.1

Source: Compiled from Census of Manufactures, 1929, Vol. I, Table VI, "Motion Pictures, not Including Projection in Theatres".

Child Labor

Child labor is not an important problem in the Industry. In 1930, 2,213 helpers in motion picture production were reported by the occupation statistics of the Census of Population, but only 93 of these helpers were between the ages of 10 and 17 years. It must be borne in mind that these data refer not to the number actually employed, but rather to the number reporting themselves as belonging, by occupation, to this Industry.

Employees by Principal States

Total Employees. - Table XIX shows the average annual number of salaried employees and wage earners by three principal states for 1929 and 1933. There was an increase in California from 77.4 per cent of the total in 1929 to 86.2 per cent in 1933, a gain of 11 per cent. New York showed a large decrease, from 14.5 per cent of the total to 9.2 per cent, or a loss of 36 per cent. These two states alone employed over 90 per cent of the workers in each of these years.

TABLE XIX

Average Annual Number of Employees, by Three Principal States, 1929 and 1933 a/

State	1929		1933	
	Number	Per Cent of Total	Number	Per Cent of Total
U. S. Total	19,602	100.0	19,037	100.0
California	15,167	77.4	16,417	86.2
New York	2,850	14.5	1,748	9.2
Illinois	202	1.0	162	.9
Total, 3 States	18,219	92.9	19,037	96.3
Total, Other States	1,383	7.1	710	3.7

Source: Census of Manufactures, 1929 and 1933, "Motion Pictures, not Including Projection in Theatres".

a/ Includes wage earners and salaried employees.

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Wage Earners. - Table XX shows wage earners, by principal states, for 1929 and 1933. In 1929 California accounted for 74.6 per cent of total wage earners; in 1933, 83.7 per cent, representing a gain of 12 per cent. New York again showed a large decline from 15.7 per cent of the total to 10.7 per cent, or a loss of about one-third. These two states alone employed more than 90 per cent of the wage earners in 1929 and 1933.

TABLE XX

Average Annual Number of Wage Earners, by Three Principal States, 1929 and 1933

State	1929		1933	
	Number of Wage Earners	Per Cent of Total	Number of Wage Earners	Per Cent of Total
U. S. Total	10,784	100.0	10,777	100.0
California	8,052	74.6	9,022	83.7
New York	1,695	15.7	1,149	10.7
Illinois	82	.8	108	1.0
Total, 3 States	9,839	91.1	10,279	95.4
Total Other States	955	8.9	498	4.6

Source: Census of Manufactures, 1929 and 1933, "Motion Pictures, not Including Projection in Theatres."

PART II: PRODUCTION

Chapter III. Materials

Cost of Principal Materials Used

The principal material used in the production division of the Industry is raw film, purchased from the Eastman Kodak Company, the Dupont Film Manufacturing Corporation and from a few foreign countries, principally Germany, France, and England.

Table XXI shows the total cost of materials, fuel, and purchased electric energy used by the production division of the Industry in 1929, 1931, and 1933. This cost averaged about 21 per cent of the total cost of production in each of the years shown.

TABLE XXI

Total Cost of Production and Cost of Materials, Fuel, and Purchased Electric Energy

Year	Total Cost of Production (000's)	Cost of Materials,a/ Fuel, and Purchased Electric Energy	
		Amount (000's)	Per Cent of Total Cost
1929	$184,102	$38,441	20.9
1931	154,436	32,222	20.9
1933	119,343	26,153	21.9

Source: Census of Manufactures, 1933, "Motion Pictures, not Including Projection in Theatres."

a/ Materials consist of miscellaneous studio supplies and containers for films.

Source of Equipment and Supplies

Table XXII shows the number of establishments producing photographic apparatus and supplies by states for 1929, 1931, and 1933. It must be understood that these data pertain to the entire production of such material and not just to that used by the Motion Picture Industry.

TABLE XXII

Number of Establishments Producing Photographic Apparatus and Supplies, by Principal States

States	1929	1931	1933
U. S. Total	115	110	84
California	11	8	5
Illinois	21	24	17
Indiana	3	4	3
Massachusetts	4	3	a/
Michigan	3	2	3
Minnesota	4	3	a/
Missouri	8	7	5
New York	35	32	a/
Ohio	5	3	3
Pennsylvania	14	14	7
Total, 10 States	108	100	43
Total, Other States	7	10	41

Source: Census of Manufactures, 1929, 1931, and 1933, "Photographic Apparatus and Supplies." Census data do not include establishments having an annual production of less than $5,000.

a/ Not reported separately in 1933.

PART II: PRODUCTION

Chapter IV. Unfair Trade Practices

Enticement of Talent and Activities of Agents

The problem of salaries of stars and the activities of agents are the only two significant trade practice problems which may be clearly allocated to the production division of the Industry.

This division centers about a relatively small group of personalities -- such as actors, directors, writers, and technicians -- who have become known through advertising, publicity, and other methods. The removal of a personality often seriously disrupted production until a suitable replacement could be found or developed.

New companies usually found it more profitable to employ talent already developed and secured such individuals by offers of higher salaries. Long-term contracts did not solve the problem of "star-raiding," because competing exhibitors, desirous of acquiring the services of such talent, induced the breaking of existing contracts. Moreover, offers of higher salaries from competitors unquestionably produced psychological effects which tended to decrease the quality of the stars' work and in extreme cases rendered them worthless. Complete contentment necessary for quality work was usually reestablished only when the employer equalled the competitive offer which, in some cases was not definite enough properly to be called an offer.

PART II: PRODUCTION

Chapter V. General Information

Exports

Table XXIII shows the exports of total linear feet of film for the years 1929 through 1934. No figures are available on the value of such films other than the declared value, which is based largely on quantity rather than on exhibition value.

TABLE XXIII

Exports of Motion Picture Films, 1929-1934 a/
(In thousands)

Year	Total Linear Feet
1929	282,216
1930	274,251
1931	199,690
1932	160,773
1933	164,537
1934	194,434

Source: Motion Picture Almanac; as prepared by the Bureau of Foreign and Domestic Commerce.

a/ Includes negative and positive sound and silent films.

Advertising

The Motion Picture Almanac has estimated that the Industry as a whole spends $70,000,000 annually for advertising in newspaper, magazines, billboards, radio, and other media. No figures are available relative to the amount spent by the producers.

Productive Capacity

No adequate measures of the productive capacity of the Industry exist. Production schedules are determined largely by the demand from the exhibition division.

Trade Associations

Motion Picture Producers and Distributors of America, Inc. (MPPDA). - This organization, of which Will H. Hays is President, was formed in 1922. It is composed of more than twenty companies, including the so-called "Big 8" producers and distributors. It furnishes information on all Industry

matters and serves as a coordinating agency in industrial relationships and functions as interpreter of problems and policies of public interest. It also represents the Industry in connection with all sorts of "anti" legislative measures which are a constantly recurring plague to the Industry. Its members find it an economical means of gathering useful information, and of securing necessary services and facilities.

The Academy of Motion Picture Arts and Sciences. - This organization which is a guild-like association of the production branch of the Industry, was organized in 1927 to deal with production problems. The Academy is controlled and financed by the producers. It has provided methods of adjustment and reconciliation among producers as well as between producers and their various classes of employees. It has attempted to bring about industry-wide technical coordination by educational campaigns designed to reach all concerned therein, and has served as a clearing house for the collection of technical data in production. Its public-relations efforts have been focused towards contacting survey experts, special organizations, and manufacturing and research concerns, rather than the press and the public.

Trade Union Activity

The Actor's Equity Association which is chartered by the Associated Actors and Artists of America and affiliated with the American Federation of Labor has jurisdiction in the motion picture field. Its offices are located in New York, Chicago and Hollywood. In 1933, the Association had 1,418 members. These consist of both actors and actresses who had received screen credit (i.e. listing in cast of pictures) or professional recognition.

PART III: DISTRIBUTION

Chapter I. The Nature of the Division

History and Scope of Division

Origin of Film Exchange. - During the Industry's formative stages, films were purchased outright from producers and exhibited until worn out or until they ceased to be profitable. This system later gave way to a more efficient and economical method of distribution known as the film exchange, which was introduced in 1902 by Harry J. Miles of San Francisco. This system originated in the functions of maintaining film stocks, which requires the supervising and physical transportation of film, and the inspection and repair of damaged film. The film exchange is in essence a licensing system whereby the films remain the property of the exchange, and the exhibitor merely obtains a license to show a particular film in a designated theatre for a stipulated period of time, at a charge equal to about half the purchase price.

Developments in Film Distribution. - In the early stages, positive films were sold by length on a flat footage basis regardless of the individual picture, actor, or director. No consideration was given to the number of pictures leased, character and size of theatre, and the population of the town or city. There were no distinctions made between first or subsequent runs.

The distributors developed what was known as the "program system," supplying the exhibitor with a constant flow of two or three-real pictures, two or three time per week, The public appreciation for better-quality films gave rise to the "star" system, and demands for longer programs featuring such star Pickford, Hart, and Sennett. The exploitation of stars and concomitant effort to attain quality by purchases of expensive scenarios and production extravaganda brought on the full-length feature, absorbing the greater part of the entertainment program. Rising production costs led to an upward revision of leasing charges and eventually to the general adoption of a policy of block booking by the distributors.

Another development was the construction of theatres exclusively for the showing of motion pictures, displacing arcades, shooting galleries, and empty stores as well as legitimate and vaudeville theatres.

With the development of the "star" and the "feature" system which gave th pictures individuality, and the construction of theatres exclusively for motio pictures which resulted in more efficient and economical presentation, distributors began to vary the prices of pictures according to their estimated value Pictures were no longer sold at random on a flat footage basis. Wider geographical distribution came to be considered necessary since it was found that first showings usually exhausted considerable exhibition value of a picture in localized areas. Thus nation-wide facilities for merchandising, rehandling and servicing a product, which varied in price and quality, became necessary.

National and "State Right" Distribution. - The first effort to attain effective national distribution was made by the formation in 1910 of the General Film Company, controlled by the Motion Picture Patents Company. Independent producers, who were not permitted to use these facilities, distributed chiefly through independent distributors. These distributors, who were scattered

throughout the country, operated on a "state right" basis. The state right exchanges bought films outright or more commonly leased films with the exclusive right of redistributing them to exhibitors within certain geographical areas.

Most state right distributors were also exhibitors whose original purposes were to obtain films for their own theatres, their interest in complete distribution being often less than casual. Moreover, since no producer could supply sufficient product to furnish the entire requirements of the average exhibitor, state right distributors were naturally interested in obtaining films from more than one producer, and this diversity of interest usually resulted in mediocre sales, service and maintenance efforts from the point of view of the producers. Aggressive selling efforts necessary for intensive distribution were lacking. Rentals received from films were not believed to be commensurate with their earning power. The producer, on the other hand, could not set prices for the distributors' subleasing of film but received what the latter would pay for it. He usually found out a picture's value in a given territory after it was too late to capitalize on it.

Producers as Film Distributors. - Unlike conditions in the manufacturing industries, the cost of the production of a motion picture has usually little direct relation to its sales value. Consequently the producer soon realized the great importance of obtaining proper control of distribution. Integration with production was inevitable since producers were placed in the position of having the value of their product determined to a large extent by distributors. Consequently, producers with sufficient financial resources generally pursued the policy of obtaining control of distribution.

Present-Day Film Distribution. - The actual process of distribution involves the licensing of the exhibitor to show copy-righted film, assigning playing dates, physical distribution of films to theatres, and the collection of accounts. Advertising material for the pictures to be shown is usually sold in conjunction with the licensing of films. Exchanges are located in key cities throughout the United States. The 50 to 250 positive prints made from the exposed negative are distributed to first-run, second-run, and subsequent-run theatres in proper order and point of time according to contractual specifications. Rental variations extend from as low as $5 per day to several thousand dollars per week, while percentage agreements may call for 10 per cent to 50 per cent of the box office receipts. Combinations of both forms are not uncommon. Another arrangement sometimes used allows the exhibitor a sum to defray current operating expenses and the surplus is then split according to agreement. The rental charge is governed primarily by the exhibitor's ability to pay, which, in turn, depends upon a variety of factors, chief among which is the estimated box-office receipts, based upon previous experiences with the star and cast in some comparable vehicle. Other factors are seating capacity, number of performances per day, price of admission, character of accompanying presentation, prestige of the theatre, and efforts made for exploitation.

All the "major" companies maintain distributing establishments in "key" centers throughout the United States. Small independent producers often distribute their films through the facilities of the large producer-distributors.

Total Number of Exchange Establishments

The total number of exchange establishments in 1929 was reported by the Census as 533. (See Table XXIV, Below).

Number of Exchange Establishments by Principal States

Table XXIV shows the distribution of the 533 exchanges by six principal states in 1929. New York accounted for almost 16 per cent of the total number, California and Pennsylvania each had more than 6 per cent. Ohio, Massachusetts and Illinois follow in the order mentioned, each having about 4 per cent of the total number of exchanges within their borders. The six states accounted for 42 per cent of the total number for the country.

TABLE XXIV

Number of Exchanges and Volume of Business Handled, by Six Principal States, 1929

State	Exchanges		Volume of Business	
	Number	Per Cent of Total	Amount (000's)	Per Cent of Total
U. S. Total	533	100.0	$220,605	100.0
California	36	6.8	16,057	7.3
Illinois	21	3.9	14,962	6.8
Massachusetts	23	4.3	13,233	6.0
New York	85 a/	15.9	51,581	23.4
Ohio	26	4.9	13,326	6.0
Pennsylvania	34	6.4	25,097	11.4
Total, 6 states	225	42.2	134,306	60.9
Total, Other States	308	57.8	86,299	39.1

Source: Census of Distribution, 1929 "Motion Picture Films" (Trade Series, Distribution No. W-201).

a/ Includes 14 export exchanges.

Volume of Business by Principal States

Table XXIV, above also shows the volume of business done by these six principal states in 1929. New York, which had the largest number of exchanges accounted for more than 23 per cent of the total exchange business (including exports by the 14 New York City exchanges which engaged in export business exclusively.) Pennsylvania was the second most important state in 1929, accounting for about 11 per cent of the total business; California accounted for 7 per cent of the business; and Illinois, Massachusetts, and Ohio, averaged a little more than 6 per cent each.

It is noteworthy that these six states containing less than 38 per cent of total population of United States accounted for more than 60 per cent of the total volume of the motion picture distributing business.

Number of Establishments by Type of Exchange

With the development of large chain theatres, the vertical integration of producers with theatre chains, and the growing financial strength of producing companies, the independent distributor has become less significant. Producers now either associate with existing distributors or more often establish their own distinct exchanges. In 1929, according to Table XXV, producers exchanges totalled 444 in number or 83 per cent of the total. Next in importance to the exchanges owned by producers were the independent exchanges, comprising 14 per cent of the total. The export exchanges numbered 14, or less than 3 per cent of the aggregate, and 4 of these were owned by producers.

TABLE XXV

Number of Exchanges, and Number of Employees, by Principal Types of Exchanges, 1929

Item	Total		Type of Exchange					
			Producer		Independent		Export	
	Number	Per Cent of Total	Number	Per Cent of Total	Total Amount	Per Cent of Total	Total Amount	Per Cent of Total
Number of Exchanges	533	100.0	444	83.3	75	14.1	14	2.6
Number of Employees	9342	100.0	8797	94.2	393	4.2	152	1.6

Source: Census of Distribution, 1929, "Motion Picture Films" (Trade Series, Distribution No. W-201.)

Volume of Business by Type of Exchange

Table XXVI shows that in 1929 the producers exchanges did most of the business, for they accounted for 95 per cent of the total. Furthermore, the 4 export exchanges owned by the latter contributed an additional $5,318,000 worth of business or almost 2.5 per cent of the total volume.

Next in importance to the exchanges owned by producers were the export exchanges which carried on a business amounting to 3 per cent, 2½ per cent of which, as mentioned above, was done by the 4 exchanges owned by the producers. The independents accounted for only about 2 per cent of the total.

TABLE XXVI

Volume of Business, Salaries, Wages and Total Expenses, by Principal Types of Exchanges, 1929

Item	Total		Type of Exchange					
			Producer		Independent		Export	
	Amount (000's)	Per Cent of Total	Amount (000's)	Per Cent of Total	Amount (000's)	Per Cent of Total	Amount (000's)	Per Cent of Total
Volume of Business	$220,605	100.0	$208,866	94.7	$4,905	2.2	$6,844	3.1
Salaries & Wages	17,978	100.0	16,563	92.1	854	4.8	561	3.1
Total Expenses	34,640	100.0	31,654	91.4	1,625	4.7	1,361	3.9

Source: Census of Distribution, 1929, "Motion Picture Films" (Trade Series, Distribution, No. T-201).

PART III; DISTRIBUTION

Chapter II. Labor Statistics

Average Annual Number of Employees

Census data as presented in Table XXVII place the average annual employment of all exchanges at 9,342 in 1929. Of these, about 20 per cent were executives or salesmen.

Total Number of Employees by Types of Exchanges

As shown in Table XXV, above, producers' exchanges reported 8,797, or 94 per cent of the total number of employees. Independent exchanges employed 4 per cent, and the export group accounted for less than 2 per cent of the total.

Average Annual Payrolls

According to Table XXVII, the average annual payroll covering all employees was $17,978,000 in 1929. Executives, who constituted less than 4 per cent of total employees, received almost 14 per cent, while the salesmen, amounting to 17 per cent of the total number, received 35 per cent of the total payroll. The remaining employees, who constituted almost 80 per cent of the total employees, received 51 per cent of the total payroll.

TABLE XXVII

Average Annual Number of Employees and Average Annual Payrolls, 1929

Kind of Employee	Employees		Payrolls	
	Number	Per Cent of Total	Amount (000's)	Per Cent of Total
Total	9,342	100.0	$17,978	100.0
Executives	335	3.6	2,468	13.7
Salesmen	1,562	16.7	6,253	34.8
Other Employees	7,445	79.7	9,257	51.5

Source: Census of Distribution, 1929, "Motion Picture Films" (Trade Series, Distribution No. W-201).

Per Cent Salaries and Wages are of Total Expense

In 1929 salaries and wages constituted the largest single item of expense, amounting to about one-half of total expenses for all types of exchanges. In both the producer and independent type of exchange, total salaries and wages accounted for about one-half the total expenses, but in the export exchanges, this percentage was somewhat less. (See Table XXVI, above.)

PART III: DISTRIBUTION

Chapter III. Unfair Trade Practices

Block Booking and Blind Booking.

"Block booking" and "blind booking", which involve the purchase of films sight unseen, has long been existent in the Industry. Producer-distributors have maintained that this method is economically sound, inasmuch as it assures exhibitors a continuous supply of films while at the same time stabilizing production. Individual selections, it has been claimed, would result in prohibitive license fees, since all pictures are not box-office successes. The impossibility of pre-judging box-office attractions has also been pointed out.

The opponents of block booking and blind booking, who are mostly independents, have claimed that these practices have forced them to show undesirable pictures These independents have had the support of social, religious, and educational organizations which have realized that independents would probably be ruined financially if they were to refrain from showing, yet be forced to pay, for all unendorsed pictures.

The "right to buy" controversy appears to have been concerned primarily with preferential master contracts existing between producer-exhibitors. It has been alleged by independents that certain producer-exhibitors having competition in a specified area are given unfair advantage by being permitted to purchase films of other producer-exhibitors at lower prices than those at which the former's competitors are permitted to buy — if they are permitte to buy at all. In return the latter producer-exhibitors received this low rate preference from the former when they have competition from independents in their areas.

Independents who have thus been unable to compete with the large circuit and producer-affiliated theatres for the purchase of first-run pictures have been at a further disadvantage because of the fact that these producer-affiliated theatres have exchanged their playing time among themselves. This has resulted in forcing the independents to show subsequent run pictures.

While exhibitors have sought the "right to buy" first runs irrespective of the character of theatre, location, size, quality of accompanying presentations, or prestige and standing enjoyed in the community, producer-distributors have claimed the "right to choose" their customers. They have sought to bring out their features under the most favorable auspices in theatres having established reputations and the best and finest quality presentation in the country. They claimed the right to determine the factors that go into a bargain, such as the financial responsibility of the buyer.

It is generally understood by the independents that the "right to choose" customers, provided no collusion exists, has been found justified by the Federal Trade Commission, as shown by the following quotation from Federal Trade Commission versus Paramount Famous Players Corporation, 57 Fed. 152:

> "A distributor of films by lease or sale has the right to select his own customers and sell such

quantities at given prices, or to refuse to sell at all to any particular person for reasons of his own. Federal Trade Commission versus Raymond Bros.-Clark Co., 263 U. S., 565; U. S. versus Colgate, 250 U. S., 30; Great A & P versus Cream O'Wheat, 227 Fed. 46 (C.C.A.2)."

Forcing Short Subjects with Features

Forcing the purchase of short subjects as a condition for contracting of features has been a long-established practice in the Industry. Exhibitors have claimed that in some instances requirements were exacted which forced them to buy more shorts than they could reasonably be expected to show. Distributors have contended that this was a long-established selling method and that their investment was based upon the "tying in" of the sale of short subjects. They have claimed further that the cost of features was directly related to the total sales made and that interference with the usual practice would result in an increase in the cost of features. Distributors claimed moreover, that they were providing the exhibitors with a well-balanced program.

Overbuying

It has been generally admitted that certain financially well-entrenched exhibitors have sometimes contracted for more motion pictures than they reasonably required for exhibition in their own theatres with the intent of depriving a competing exhibitor from securing sufficient pictures for exhibition in his theatre. This practice has been generally recognized by the Industry as unfair.

PART III: DISTRIBUTION

Chapter IV. General Information

Trade Association Activity

Film Boards of Trade, which constitute local distributor trade association, were established in 1922 as the field organization of the Motion Picture Producers and Distributors of America. These boards exist in 32 key city exchange centers.

The Film Boards keep sales managers advised of changes in theatre ownership. During the transition period from the silent to the sound pictures, the Boards supplied distributors with information relative to the equipment used by various exhibitors. The Boards also locate lost and stolen films, check up on "missouts," determine responsibility for film mutilations and delayed returns of prints, and attend to various other routine matters in the interest of their members.

PART IV: EXHIBITION

Chapter I. The Nature of the Division

History and Description of Division

The Development of Motion Picture Theatres. - The exibition division of the Motion Picture Industry corresponds to the retail branch of manufacturing industries. It started with the "store-room" show, composed of short-reel entertainment with 5 cents as an admission charge. The seating capacity of these "store-rooms" was anywhere from 100 to 200. At a later date the seating capacity at "store-room" shows was enlarged from 200 to 300, and the entertainment program was lengthened. The price of admission was then raised to 10 cents.

Construction of buildings in great numbers, for the exclusive purpose of showing moving pictures soon followed. The seating capacities of these movie houses ranged from 300 to 600, and again the entertainment was lengthened and the price of admission increased, this time to 20 cents.

At this point, promoters entered into the business and adopted various methods of obtaining capital with which to build lavish theatres, some of which had seating capacities ranging up to 5,000 seats. The building of these large "de luxe" theatres on a grand scale required substantial public financing, which meant that the promoters had to turn to bond issues and eventually to Wall Street for the necessary financing.

The Development of the Entertainment Program. - The construction of de luxe theatres required more lavish motion pictures in order to operate the picture houses profitably, and it thus became necessary for theatre owners from different parts of the country to combine into operating units so as to obtain high-class entertainment to which they hoped to attract capacity audiences. As the size of the theatres was increased, programs were expanded to include additional entertainment, such as "presentations" consisting of symphony orchestras, ballets, and headline vaudeville acts. At the same time, the price of admission was increased to offset the added expense involved.

Entrance of Producers into the Exhibition Division. - The motion picture theatre owners almost from the beginning, formed cooperative buying groups in order to buy picture films for their theatres and to control if possible, prices and playing time. The producers were sometimes required to sell at prices which these groups were willing to pay or else not sell at all. Finally to meet this situation, producers of motion pictures entered into the exhibition field. While the great majority of the theatres are operated by individuals and by independent chains a large proportion of the most important theatres is controlled by the producer-distributors.

Classes of Exhibitors. - The exhibition division of the Industry today is composed of three classes of exhibitors; namely affiliated, unaffiliated, and independent. Affilitated exhibitors include those operating a number of theatres, commonly called circuits, which are owned or controlled by the producer-distributors. Unaffiliated exhibitors include those who operate a circuit of theatres but have no connection with producer-distributors. The remaining exhibitors are called independents. (See Table XXXI, below.)

Total Number of Theatres.

As shown in Table XXVIII, the Film Daily Yearbook reported 16,885 motion picture theatres in the United States in 1934.

Number of Theatres by Principal States

While production of motion pictures is highly concentrated in a few states, the market for films, which consists of all exhibiting theatres in the United States, is widely scattered. Table XXVIII indicates the distribution of theatres by principal states in 1934. The state of New York was the most important in 1934, for it reported 9 per cent of the total number of theatres. Pennsylvania and Ohio followed in close order having 6.6 per cent and 5.7 per cent respectively. California, which is the principal producing state, contained about 5 per cent of all theatres.

TABLE XXVIII

Number of Motion Picture Theatres, by Principal States, 1934

State	Number of Theatres	Per Cent of Total
U. S. Total a/	16,885	100.0
California	875	5.2
Illinois	965	5.7
Indiana	573	3.4
Iowa	458	2.7
Kentucky	420	2.5
Massachusetts	499	3.0
Michigan	570	3.4
Minnesota	421	2.5
Missouri	523	3.1
New Jersey	427	2.5
New York	1,539	9.1
Ohio	985	5.8
Pennsylvania	1,121	6.6
Texas	930	5.5
Wisconsin	484	2.9
Total, 15 States	10,790	63.9
Total, Other States	6,095	36.1

Source: Film Daily Yearbook of Motion Pictures, 1934.

a/ This total figure does not agree with the total given by the Motion Picture Producers and Distributors of America which report 18,371 as shown in Table XXXI below.

Number of Theatres Open and Closed

Table XXIX shows the total number of theatres from 1929 through 1935, and from 1932 on; the data are broken down to show the number open and closed. It will be noted that in 1932, 4,627 movie houses out of a total of 20,100, or almost 25 per cent, were closed. However, only 797, or 17 per cent, of those closed were sound-equipped theatres. In 1933, out of a total of 19,311 theatres, 5,895, or about 30 per cent, were closed, of which 2,170, or almost 37 per cent, were equipped with sound. The over-expansion in the number of theatres, their construction in unsuitable locations as real estate promotions, and the attendance by the public at the finer theatres only, resulted in the closing of a large number that had become obsolete or should never have been built.

Although the proportion of closed theatres decreased from 1932 to 1935, the relative number of closed sound-equipped theatres had increased. However, it must be borne in mind that the proportion of sound-equipped movie houses to the total has been increasing since 1929, until in 1935 these houses constituted almost 90 per cent of all theatres.

Seating Capacity

Table XXX shows the total number of seats in motion picture theatres during the years 1931 through 1935. Since 1933, the number has remained relatively constant at slightly more than 11 million.

The potential seating capacity of the Industry may be obtained by combining with the actual number of seats the average number of shows per day. Since some theatres give at least two shows per day, and most of them probably three or four shows per day, the potential daily capacity would be at least two or three times the actual number of seats.

TABLE XXIX

Sound and Silent Motion Picture Theatres

Classified as to whether Open or Closed, 1929-1935 a/

Year	Total			Sound Theatres			Silent Theatres		
	Total	Number Open	Number Closed	Total	Number Open	Number Closed	Total	Number Open	Number Closed
1929	21,000	-- b/	-- b/	1,000	-- b/	-- b/	20,000	-- b/	-- b/
1930	22,000	-- b/	-- b/	9,350	-- b/	-- b/	12,650	-- b/	-- b/
1931	22,100	-- b/	-- b/	13,780	-- b/	-- b/	8,320	-- b/	-- b/
1932	20,100 c/	15,473 d/	4,627 d/	14,805 c/	14,008 d/	797 e/	5,295 c/	1,465 d/	3,830 d/
1933	19,311	13,416	5,895	15,231	13,061	2,170	4,080	335	3,725
1934	18,371	13,736	4,635	15,652	13,673	1,979	2,719	63	2,656
1935	18,263	14,552	3,711	16,325	14,501	1,824	1,938	51	1,887

Sources: Basic data for 1929, 1930, and 1931 from Motion Picture Almanac, 1933, page 6; for 1932 as indicated in footnotes; for 1933, 1934, and 1935 from Film Board of Trade Reports

a/ As of January 1, each year.

b/ Data for number of theatres open and closed not available for 1929, 1930, and 1931.

c/ Standard Statistics Co., Standard Trade and Securities, "Theatres and Motion Pictures", Vol. 75, No. 22 (February 20, 1935) p. TH - 46.

d/ Derived figures.

e/ Motion Picture Producers of America, Inc.

TABLE XXX

Total Number of Seats in Motion Picture Theatres, 1931-1935 a/

Date	Number of Seats b/
1931	12,143,761
1932	10,767,000 c/
1933	11,161,193
1934	11,028,950
1935	11,132,595

Source: Data for 1931, 1932, and 1933 from Motion Picture Almanac, 1933, p. 6; for 1932 as indicated in footnote c/; for 1933, 1934, and 1935 from Film Board of Trade Reports.

a/ As of January 1, each year; includes open and closed theatres.

b/ It will be noted that the total number of seats is not identical with those given by the source cited in Table XXXII, below.

c/ Standard Statistics Company, Standard Trade and Securities, "Theatres and Motion Pictures," Vol. 75, No. 22 (February 20, 1935), p. TH-46.

Number of Theatres and Number of Seats Classified by Type of Ownership

Although, as shown in Table XXXI, affiliated circuits owned on an average about 11 per cent of the total number of theatres during the years 1933-1935, they owned or controlled about 25 per cent of the total number of seats, as shown in Table XXXII. This indicates that this group owned large theatres. The unaffiliated circuits average about 16 per cent of the number of theatres, but they represent approximately 23 per cent of the total seating capacity. Theatres of large seating capacity are also found among the unaffiliated circuits, but independents, who own or control approximately 72 per cent of the total number of theatres, account for a little more than 50 per cent of the total seating capacity.

This is significant because of the competition within the Industry between these three groups. The unaffiliated circuits are usually well entrenched and in a powerful bargaining position in the purchase of films. The independents, who are widely scattered, are usually in a relatively poor bargaining position when their theatres happen to be located in close proximity to the affiliated or unaffiliated circuits. Independents located in non-competitive areas, however, are often in good bargaining positions in the purchase of films.

TABLE XXXI

Number of Motion Picture Theatres, Classified by Type of Ownership, 1933-1935

Year	Total		Circuit Theatres				Independent Theatres	
			Affiliated		Unaffiliated			
	Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total
1933	19,251	100.0	2,266	11.8	3,189	16.6	13,796	71.6
1934	18,371	100.0	1,954	10.6	2,846	15.5	13,571	73.9
1935	18,263	100.0	2,073	11.4	3,070	16.8	13,120	71.8

Source: Motion Picture Producers and Distributors of America, Inc., as of January 1, each year.

TABLE XXXII

Number of Motion Picture Theatre Seats, Classified by Type of Ownership, 1933-1935

Year	Total a/		Circuit				Independent	
			Affiliated Theatres		Unaffiliated Theatres			
	Number (000's)	Per Cent of Total	Number (000's)	Per Cent of Total	Number (000's)	Per Cent of Total	Number (000's)	Per Cent of Total
1933	11,086	100.0	2,938	26.5	2,562	23.1	5,586	50.4
1934	11,029	100.0	2,587	23.5	2,493	22.6	5,949	53.9
1935	11,032	100.0	2,719	24.4	2,539	22.8	5,874	52.8

Source: Motion Picture Producers and Distributors of America, Inc., as of January 1, each year.

a/ It will be noted that the total numbers of seats is not identical with those given by the source cited in Table XXX above.

Total Theatre Receipts and Attendance

The total estimated box-office receipts from 1929 through 1934, inclusive, are shown in Table XXXIII. Receipts fell from $1,100,000,000 in 1929 and 1930 to approximately half this amount in 1933. While average estimated admission prices fell from 30 cents in 1929 to 28 cents in 1930, the increased attendance was sufficient to keep the total estimated receipts at the 1929 level, namely, $1,100,000,000. The estimated average admission price fell from 30 cents in 1929 to 20 cents in 1933 and 1934, or a drop of one-third.

TABLE XXXIII

Estimated Total Box-Office Receipts, Average Admission Price, and Attendance, 1929-1934

Year	Total Receipts (In millions)	Average Admission Price	Attendance a/ (In millions)
1929	$1,100	.30	3,660
1930	1,100	.28	3,920
1931	880	.24	3,330
1932	625	.22	2,840
1933	560	.20	2,800
1934	650	.20	3,250

Source: Standard Statistics Company, Standard Trade and Securities, "Theatres and Motion Pictures," Vol. 75, No. 22 (February 20, 1935), p. TH-46.

a/ These figures are not consistent with the average weekly attendance figures given by the Film Daily Year Book, 1935, presumably because the latter source has a more complete coverage than that of the Standard Statistics Company.

Theatre Receipts by Principal States

Receipts by ten principal states are shown below in Chapter II, Table XXXVIII, as reported by the Census of American Business for the year 1933. New York State accounted for 23 per cent of the total receipts reported in 1933, although, as shown in Table XXVIII, above, it contained only about 9 per cent of the total number of theatres in 1934. The ten principal states together accounted for more than 70 per cent of the total receipts in 1933.

Competition with Other Industries

Aside from competition between various types of theatres within the Industry, motion picture theatres compete with radio broadcasting, sports, and other amusements, such as the burlesque industry and the legitimate theatre. Moreover, there exists a type of so-called non-theatrical competition wherein schools, churches, lodges, and sometimes business concerns, display films to the disadvantage of local exhibitors. No figures are available as to the extent of competition from these sources.

Expenditures for Theatre Construction

Table XXXIV shows the rapid decrease in annual theatre construction from $163,559,000 in 1929 to $13,500,000 for the 16 months covering 1933 and the first 4 months of 1934. The figure of $20,000,000 for the 11 months from May, 1934, to April, 1935, indicates the beginning of more activity in theatre construction. The biggest decline came in 1932 when construction dropped 61 per cent.

TABLE XXXIV

Annual Expenditure in Theatre Construction,
1929-March, 1935

Year	Amount (000's)	Per Cent Change from Preceding Period
1929	$163,559	---
1930	97,580	-40.3
1931	45,000	-53.9
1932	17,500	-61.1
1933, - April, 1934 (16 months)	13,500	-22.8
May, 1934 - March, 1935 (11 months)	20,000	+48.1

Source: Motion Picture Almanac.

Financial Condition

Table XXXV shows the latest available data concerning financial conditions of exhibiting corporations reporting to the Bureau of Internal Revenue for the years 1927 through 1932. The peak of earnings for all corporations was reached in 1930, when net profits amounted to almost $30,000,000. However, the year 1931 saw a decrease of about 87 per cent in profits from the 1930 peak. In the year 1932 motion picture theatres operated at a loss of more than $59,000,000

TABLE XXXV

Gross Income, Net Profit or Loss,
1927-1932
(In thousands)

Year	Gross Income	Net Profit or Loss
1927	$345,771	$18,951
1928	407,842	21,646
1929	508,439	22,394
1930	513,105	29,743
1931	484,652	4,423
1932	505,490	-59,336

Source: Bureau of Internal Revenue, Statistics of Income.

PART IV: EXHIBITION

Chapter II. Labor Statistics

Number of Employees

Census data for the years prior to 1933 are not available on employment and wages in the exhibition branch of the Industry. Table XXXVI, taken from the Census of American Business, 1933, shows the total number of employees and the average number employed per motion picture theatre. The figure of 6.9 for the average number employed per theatre is lower than that reported by the Bureau of Labor Statistics in a study made of eleven neighborhood theatres in Washington, D. C., in the latter part of 1931, when an average of 10.7 employees per theatre was reported (See Table XL, below). However, according to figures given in trade publications such as the Film Daily, Variety, and Motion Picture Almanac, theatres have been reported to average about 16 employees. It is considered that the average for the entire country approaches the latter figure as reported by the trade publications, especially since the higher figure is further supported by the fact that employees such as musicians, vaudeville talent, and office employees were omitted from the Washington survey.

TABLE XXXVI

Annual Average Number Employed, Full and Part-Time, by Types of Theatres, 1933 a/

Type of Theatre	Total		Full-Time		Part-Time		Average Employees per Theatre
	Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total	
Motion Picture only	65,728	100.0	54,030	82.2	11,698	17.8	6.9
Motion Picture and Vaudeville	8,635	100.0	7,924	91.8	711	8.2	13.4
Total Theatres showing Motion Pictures	74,363	100.0	61,954	83.3	12,409	16.7	7.3

Source: Census of American Business, 1933, "Service, Amusements, and Hotels."

a/ Includes proprietors.

Total Annual Payrolls

Table XXXVII shows total payrolls for moving picture theatres in 1933. For all types of motion picture houses, full-time payrolls amounted to 94 per cent of the total.

TABLE XXXVII

Total Payrolls, Full and Part-time, by Types of Theatres, 1933

Type of Theatre	Total		Full-Time		Part-Time	
	Amount (000's)	Per Cent of Total	Amount (000's)	Per Cent of Total	Amount (000's)	Per Cent of Total
Motion Picture only	$71,451	100.0	$67,009	93.8	$4,442	6.2
Motion Picture and Vaudeville	10,305	100.0	10,053	97.5	252	2.5
Total Theatres Showing Motion Pictures	81,756	100.0	77,062	94.2	4,694	5.8

Source: Census of American Business, 1933, "Service, Amusements, and Hotels."

Total Annual Payrolls as a Per Cent of Total Receipts

According to estimates of the Motion Picture Almanac for 1933, payrolls in the exhibition division represent about 25 per cent of total theatre receipts. This figure is slightly higher than that derived from receipts and payroll data reported by the Census of American Business in 1933, which listed receipts as $415,153,000 (see Table XXXVIII, below), and a total, full and part-time payroll of $81,756,000, which represents approximately 20 per cent of total receipts. (See Table XXXVII, above.)

Number of Wage Earners and Total Annual Wages by Principal States

Table XXXVIII shows the distribution of full-time employees and payrolls by ten principal states, as reported by the Census of American Business in 1933. The ten states listed employed almost 67 per cent of all the full-time employees in that year and paid them 73 per cent of the total payroll. The state of New York employed 18 per cent of all full-time workers, but reported 26 per cent of the total full-time payroll, which indicates high average wages in that state. California was second with more than 8 per cent of total employees, who received 8 per cent of the total payroll. New York also received the largest share of theatre receipts, amounting to 23 per cent of the total.

TABLE XXXVIII

Total Receipts, Number of Full-Time Employees and Payrolls, Classified by 10 Principal States, 1933 a/

State	Total Receipts		Full-Time Employees		Full-Time Payroll	
	Amount (000's)	Per Cent of Total	Number (000's)	Per Cent of Total	Amount (000's)	Per Cent of Total
U. S. Total	$415,153	100.0	63,136	100.0	$80,519	100.0
California	35,223	8.5	5,220	8.3	6,284	8.3
Illinois	23,106	8.0	4,303	6.8	6,695	8.9
Massachusetts	22,809	5.5	3,678	5.8	5,141	6.8
Michigan	14,124	3.4	2,324	3.7	2,925	3.9
Missouri	10,256	2.5	1,601	2.5	2,370	3.1
New Jersey	19,179	4.6	12,116	3.4	3,647	4.8
New York	93,907	22.6	11,463	18.2	19,778	26.1
Ohio	20,730	5.0	3,822	6.1	4,223	5.6
Pennsylvania	30,891	7.4	4,889	7.7	5,588	7.4
Texas	12,825	3.1	2,548	4.0	2,200	2.9
Total, 10 States	293,050	70.6	41,969	66.5	58,851	73.1
Total, Other States	122,103	29.4	21,167	33.5	21,668	26.9

Source: Census of American Business, 1933, "Services, Amusements, and Theatres."

a/ The data include 122 legitimate theatres and operas which grossed $8,611,000 and employed 1,182 full-time workers with a payroll of $3,457,000. When allowance is made for the inclusion of these legitimate theatres and operas, the employee and payroll data in this table are identical with those given in Tables XXXVI and XXXVII, above.

Wages and Hours

In Principal Cities. - Reports on wages and hours of unionized projectionists in 1933 were published by the Bureau of Labor Statistics in the Monthly Labor Review for May, 1933. The report, which embraces almost 230 cities and 5,494 operators, shows that average weekly wages ranged from $22.50 to $95.00. Prevailing hours ranged from 23 to 62 hours per week.

An analysis of the report discloses the distribution of weekly union wage scales and hours worked per week shown in Table XXXIX. These ranges vary primarily with the strength of the union in particular localities rather than with the size and type of theatre, size of city, or section of the country. It is believed that wages and hours of work of other organized workers (stage hands and musicians) in the motion picture theatres would show a similar variation, depending upon the strength of the union.

TABLE XXXIX

Wage Scales and Hours Worked per Week by Unionized Projectionists, Classified by Number of Cities, 1933

Item	Number of Cities
Wage Scale	
Under $35 per week	25
Between $35 and $45	75
Between $45 and $65	111
Over $65	29
Hours Worked per Week	
Under 36	45
Between 36 and 40	43
Between 40 and 45	35
Between 45 and 50	44
Over 50	25

Source: Compiled from Bureau of Labor Statistics Monthly Labor Review, (May, 1933) p.1111.

In Washington, D. C. - Table XL shows the hourly wage rate and hours worked per week by the various classes of wage earners employed in eleven neighborhood theatres in Washington, D. C. in the latter part of 1931. 1/ The average weekly hours for all types of full-time employees ranged from 32.5 to 49 hours per week; for all types of part-time workers, from 8 to 24 hours. In the service branch, weekly wages for full-time employees ranged from $9.28 to $18.40; for part-time employees, from $6.65 to $8.55. Technicians such as operators, electricians and engineers were the highest paid help and averaged about 45 hours per week.

1/ The Bureau of Labor Statistics reports that the city of Washington was chosen for this survey "because of the belief that this city has been affected less than any other city of its size by the business depression, and it would therefore be possible to segregate the effects brought about by the changes in technology from those due to other causes, and especially to the depression."

TABLE XL

Average Weekly Hours and Wages of Employees in 11 Neighborhood Motion Picture Theatres of Washington, D. C. by Branch of Work and Occupation, 1931

Branch of work and Occupation	Number of Theaters	Number Employed	Average Hours per Week	Average Wages per Week	Average Wages per Hour
Service					
Cashiers	11	11	38.6	$14.61	$0.378
Relief Cashiers	3	3	12.3	6.65	.540
Doormen	11	13	33.6	10.11	.300
Full-time Ushers	11	31	32.5	9.28	.285
Part-time Ushers	1	3	24.0	8.55	.356
Matrons	2	2	39.0	13.53	.346
Porters	11	18	54.6	18.40	.336
Cleaners	2	3	37.3	12.66	.339
Elevator boys	1	1	44.0	14.25	.323
Projection					
Operators	11	24	40.0	67.10	1.677
Relief operators	2	2	8.0	17.00	2.125
Music Organists	1	1	42.0	75.00	1.785
Stage					
Electricians	1	2	48.0	70.00	1.458
Relief electricians	1	1	16.0	20.00	1.250
Maintenance					
Engineers	1	1	49.0	33.25	.678
Watchmen	1	1	56.0	19.00	.339
Total Number Employed		117			
Average per theater		10-7/11			

Source: Bureau of Labor Statistics Monthly Labor Review, (November, 1931) p. 5.

Table XLI shows the average weekly wage of full-time projectionists and "service" employees in the various types of theatres in Washington, D. C. Cashiers in downtown de luxe picture houses, labelled Type 1, averaged $21.85 while in "other colored" theatres, Type 7, they averaged only $10.00 per week. Projectionist operators in Type 1 theatres averaged $96.67, while in Type 7 they received $31.00.

TABLE XLI

Average Weekly Wages in Different Types of Motion Picture Theatres of Washington, D.C., by Branch of Work and Occupation, 1931

Branch of Work and Occupation	Theatre Types a/						
	1	2	3	4	5	6	7
Service							
Cashiers	$21.85	$19.08	$14.57	$14.61	$10.70	$14.33	$10.00
Doormen	22.33	21.15	20.00	10.11	11.15	16.08	11.22
Ushers	17.18	15.81	---	9.28	8.85	11.23	---
Porters	19.57	19.32	11.70	18.40	13.63	18.35	18.12
Matrons	10.46	11.70	---	13.53	9.00	---	---
Projection							
Operators	96.67	83.55	50.00	67.10	41.47	47.33	31.01

Source: Compiled from Bureau of Labor Statistics, Monthly Labor Review (November, 1931), pp. 4-6.

a/ Theatre types are defined as follows:

Type 1 - Down-town de-luxe presentation houses.
" 2 - Down-town first-class straight-picture houses.
" 3 - Other down straight-picture houses.
" 4 - First-class neighborhood straigt-picture houses.
" 5 - Other neighborhood straight-picture houses.
" 6 - Colored first-class picture houses.
" 7 - Other colored picture houses.

PART IV: EXHIBITION

Chapter III. Materials

Number of Films Used

De luxe theatres usually exhibit no more than 50 feature pictures during the year, while the better neighborhood theatres generally exhibit from 100 to 150 features. Both these types of theatre show each year approximately twice as many short subjects as features. These short subjects consist of comedies, cartoons, and travelogues, etc., but do not include news films.

In other neighborhood theatres, where features are changed three times a week, approximately 150 are required annually. In recent years there has developed the practice of showing two features during a program, and this has greatly increased the number of films used per year.

Per Cent of Consumer's Motion Picture Dollar Spent on Film Rental

No accurate data are available as to the total expenditures of exhibitors for film rentals. According to Table XLII, the cost of producing films accounts for a little more than 18 per cent of the consumer's moving picture dollar, and distribution costs amount to almost 8 per cent. This makes a total of 26 per cent which may be taken as a rough indication of the proportion of the consumer's dollar spent on film rental.

TABLE XLII

Per Cent of the Consumer's Motion Picture Dollar Accounted for by the Chief Divisions of the Industry, 1933

Division	Per Cent of Total
Production	
Players	4.5
Directors and Cameramen	2.4
Sets	1.8
Costumes	.5
Location	.5
Raw Film	1.4
Stories and Scripts	2.9
Administration	4.2
Total Production	18.2
Distribution	
Branch Expenses	3.6
Print Cost	1.6
Home Office Expense	2.6
Total Distribution	7.8
Exhibition	
Payroll	24.7
Advertising	8.2
Depreciation and Maintenance	5.1
Rent, Real Estate, and Taxes	15.4
Other Taxes and Insurance	2.1
Electricity and Heat	5.1
Other Expenses	8.3
Interest and Profit	5.1
Total Exhibition	74.0
Total for Industry	100.0

Source: Motion Picture Almanac, 1933.

PART IV. EXHIBITION

Chapter IV. Unfair Trade Practices

Clearance and Zoning

Equitable clearance and zoning has been, and still remains, a most controversial problem within the Industry. Feature films, which open in large cities for as much as $5,000 per week, may eventually return to those same cities for $25.00 First-run exhibitors, paying large license fees and charging high admission prices, have complained that insufficient time elapses between the first-run of a feature picture at a large theatre and subsequent runs in smaller theatres. Claims have been made that the payment of large fees entitles them to the protection of showing pictures without the fear that smaller theatres may present the same film so soon after the first showing, that prospective patrons would be inclined to wait for the lower admission prices on subsequent runs elsewhere.

On the other hand, subsequent-run exhibitors have claimed that the major exhibitors receive unreasonable clearance of time between first and subsequent showings, and also that the large exhibitors have exacted rights over unreasonably large areas.

Other Unfair Trade Practices

Most exhibitor contracts with distributors contain provisions that the exhibitor will charge specified admission prices and the cost of the license to show the picture is based on these prices. Exhibitors, although publishing these prices, have often materially lowered them by offering gifts or premiums; by holding lotteries, or by instituting a policy of throw-away tickets or two-for-one admissions. Once started, these practices spread throughout an entire competitve area and exhibitors have vied with each other in making more extravagant offers.

The practice of showing two feature films for one admission price was an extremely controversial subject during pre-Code discussion. Social, religious, and educational organizations protested that this policy of having a double-feature program absorbed screen time which would otherwise be given over to the showing of travelogues and other educational short subjects. Some independent exhibitors claimed that the elimination of this policy would deprive them of their only means of competing with the larger moving picture theatres. This practice, which spread rapidly in any territory where it was initiated, was soon adopted by the larger as well as the smaller theatres.

Exhibitors as a group have considered unfair the leasing of films to non-theatrical accounts, i. e., to social, religious, and educational organizations which exhibit motion pictures such as travelogues, religious pictures, comedies, and educational short subjects.

Exhibitors have claimed that discrimination has been used in the application of "score" charges. These charges are a hangover from the early days when "scored music" was sold in conjunction with pictures. When sound recording was introduced the "score" charge was continued, being included in the cost of the disc or sound track.

Trade Associations

The Motion Picture Theatre Owners of America (M P T O A.). - This association was organized in 1920 by independent theatre owners to combat the theatre expansion policy pursued by Famous Players Lasky Corporation.

The organization is composed of several state and regional groups operating as independent associations. The national organization attempts to coordinate activities and provide uniform action on problems of major importance to exhibitors. It may roughly be stated to represent at least 2,500 of the affiliated theatres.

In 1927, because of the expressed belief that more constructive accomplishments could be secured by constructive cooperation rather than open hostility, producer-distributor theatre owners were granted membership. The organization immediately became financially dependent upon these new members and control passed from the hands of the independents to the new group.

Allied States Association of Motion Picture Exhibitors. - This Association was originally formed in 1923 as a protest against some of the practices of the Motion Picture Theatre Owners of America. It was fashioned after the M.P T O A. and in many instances regional groups simply transferred their allegiance from one organization to the other. In 1926, following a promise by the M P T O A. to serve the interests of the independent exhibitors primarily, Allied States voted to disband and affiliate with the former. Two years later, certain prominent independent exhibitor members of the original Allied group decided to reorganize.

In 1932 Professor Lewis Howard reported that Allied States represented 6,000 theatres. It is generally conceded by the Industry that the larger circuits are represented by the M P T O A, and the smaller theatres by Allied States.

Trade Union Activity

International Alliance of Theatrical Stage Employees and Motion Picture Machine Operators of the United States and Canada. - This union was composed of approximately 26,000 members in 1934, according to a statement made in that year by its Assistant President, Louis Krouse. It is affiliated with the American Federation of Labor and its members are the skilled employees in the Industry. The organization is composed of a number of local unions throughout the United States and Canada.

APPENDIX

Exhibit A. Persons Qualified as Experts on the Entire Industry

Will H. Hays, President, Motion Picture Producers & Distributors of America, Inc., 28 West 44th Street, New York, New York

David Palfreyman, Theatre Service Division, Motion Picture Producers & Distributors of America, Inc., 28 West 44th Street, New York New York

Sol A. Rosenblatt, former Division Administrator, NRA, International Building, Radio City, New York

John C. Flinn, former Secretary of the Code Authority, now connected with Variety, Inc., 154 West 46th Street, New York, New York

Tyree Dillard, former Counsel for the Code Authority, now connected with Metro-Goldwyn-Mayer, Legal Department, New York, New York

Nathan Yamins, represented Independent Exhibitors on Code Authority, Fall River, Massachusetts

Ed Kuykendall, President, Motion Picture Theatre Owners of America; also represented Independent Exhibitors on former Code Authority, 1600 Broadway, New York, New York, and/or Columbus, Mississippi

Abram F. Myers, Chairman of Board and General Counsel for Allied States Association of Motion Picture Exhibitors, 729 15th Street, N.W., Washington, D. C.

John F. Knight, Maintenance Executive, Paramount Theatres Service Corporation, Times Square, New York, New York

Pat Casey, Producers' Representative for Studio Labor, 1600 Broadway, New York, New York, and/or 5504 Hollywood Blvd., Hollywood, California

George Browne, President, International Alliance of Theatrical Stage Employees and Motion Picture Machine Operators of the United States and Canada, Earle Theatre Building, Washington, D. C.

Louis Krouse, Assistant President, International Alliance of Theatrical Stage Employees and Motion Picture Machine Operators of the United States and Canada,
Earle Theatre Building, Washington, D. C.

Steven Newman, International Representative, International Alliance of Theatrical Stage Employees and Motion Picture Machine Operators of the United States and Canada,
3671 Valley Brink Road, Los Angeles, California

Joseph Weber, President, American Federation of Musicians,
1450 Broadway, New York, New York

Frank Gilmore, President, Actors Equity Association and Chorus Equity Association,
45 West 47th Street, New York, New York

Professor M. P. McNair, Disinterested authority on the Industry,
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APPENDIX

Exhibit B. The Advent of Sound in Motion Pictures

Sound in Exhibition

The advent of sound in 1926 caused a revolution in the Industry comparable with the introduction of the feature picture in 1913. The development suddenly changed the entire business and revived a failing interest in motion picture entertainment. The tremendous influence of good music later brought to sound-equipped theatres a large increase in patronage. At first only shorts were synchronized with sound reproduced from discs. Companies moved cautiously to make the transition to sound as gradual as possible, presumably because of the large technical changes involved.

Warner Brothers' Vitaphone ushered in the present commercially successful innovation in August, 1926. Fox closed a contract with Western Electric for the development of Movietone in January, 1927, which led to a cross-licensing arrangement with Vitaphone. A simple attachment to the projectors was developed by which Vitaphone and Movietone equipment could be used interchangably. Subsequent cooperation of General Electric, R. C. A. and Western Electric with major producers brought quick progress. Cost of equipment for reproduction was constantly decreased, due to the Industry's knowledge that small-theatre installations were necessary to the success of sound pictures. Fox "caught" the Lindbergh takeoff for the solo flight to Paris for the Movietone News. The "covering" of the Lindbergh reception in Washington with sound newsreel made history. However, the distribution of the newsreel was restricted, due to the limited number of wired houses.

Marketing of the Western Electric equipment by Electrical Research Products began in August, 1927, offering the systems which embraced sound-on-film, sound-on-disc, and non-synchronous disc systems. Installation costs ranged from $8,000 to $15,000 in price, depending upon the theatre and its accoustical requirements.

Meanwhile, Warner Brothers had secretly prepared an all-dialogue picture entitled "The Lights of New York." Experiments up to this time had included mostly sound effects and music with only scatterings of dialogue. Vitaphone and Movietone News, as short "all talkers," had been tremendously successful. While successfully received throughout the country, "The Lights of New York" clearly demonstrated that the most rigid care had to be exercised in the selection of words given the characters to speak. Voices which would synchronize were necessary. Stars began to worry about lessons in elocution.

Wired theatres prospered while unwired houses were not even given proper exploitation advantages. Exhibitors were fretful concerning the oft-arising question of interchangeability on which the patent holders refused clearly to commit themselves although well-informed sources had conceded it to be no problem, provided reproduction standards and quality were satisfactory.

The year 1929 found sound pictures off to an auspicious start, due to the announcement of lower prices by Western Electric for either the Vitaphone or Movietone reproduction equipment for June 1st delivery at a price of $5,500 each, or $7,000 for both. At the end of 1929, wired theatres numbered 9,350. Will H. Hays estimated that theatre attendance increased 15,000,000 weekly during the year.

Sound in Production

The introduction of sound in production caused a change in style of making pictures, the erection of more than 100 sound stages, and the installation of millions of dollars in equipment. Old talent was eliminated in numerous instances and new talent introduced. An addition of approximately 5,000 employees was reported at the end of 1930. It has been estimated that 99 per cent of all pictures produced in 1930 were either sound or all-talking pictures.

The cost of making a picture with sound was estimated to be from five to seven times the cost of making an all-silent picture. The increased overhead, loss of box-office names of players who had starred in silent pictures, employment of additional writers, loss of time through experimentation, and the use of more film were the major contributing factors.

At the end of 1930, 60 per cent of the exhibitors were using the sound-track method of projection and the remainder were using the disc method. Until late 1930, Warner Brothers and First National were producing all pictures on discs, but in that year they began to use the sound-track method. The disc method has the disadvantage that the discs are cumbersome and hard to handle, and the method is also more expensive.

According to the Motion Picture Daily of July 29, 1935, 18 patent licenses for a new sound system have been issued. The invention is known as "the dynamic multiplier system," by which the undesirable characteristics of present sound apparatus are eliminated. More life-like quality is effected, which may again revolutionize the Industry.